

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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September 19, 2006

Ms. Sherry Finlayson, Director
Financial Analysis/Reimbursement
Conway Hospital
Post Office Box 829
Conway, South Carolina 29528-0829

Re: AC# 3-KNC-J1 – Conway Hospital Long Term Care Services
d/b/a Kingston Nursing Center

Dear Ms. Finlayson:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**CONWAY HOSPITAL LONG TERM CARE SERVICES
D/B/A KINGSTON NURSING CENTER**

CONWAY, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-KNC-J1**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 15, 2006

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Conway Hospital Long Term Care Services d/b/a Kingston Nursing Center, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of Conway Hospital Long Term Care Services d/b/a Kingston Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Conway Hospital Long Term Care Services d/b/a Kingston Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Conway Hospital Long Term Care Services d/b/a Kingston Nursing Center dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 15, 2006

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

KINGSTON NURSING CENTER
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-KNC-J1

01/01/03-
09/30/03

Adjusted Reimbursement Rate	\$136.73
Interim Reimbursement Rate (1)	<u>125.09</u>
Increase in Reimbursement Rate	\$ <u><u>11.64</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing as of March 1, 2006

KINGSTON NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period January 1, 2003 Through September 30, 2003
AC# 3-KNC-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 87.28	\$63.44	
Dietary		20.95	11.63	
Laundry/Housekeeping/Maintenance		<u>16.53</u>	<u>10.22</u>	
Subtotal	\$ <u>-</u>	124.76	85.29	\$ 85.29
Administration & Medical Records	\$ <u>-</u>	<u>24.37</u>	<u>12.63</u>	<u>12.63</u>
Subtotal		149.13	<u>\$97.92</u>	97.92
<u>Costs Not Subject to Standards:</u>				
Utilities		5.89		5.89
Special Services		4.04		4.04
Medical Supplies & Oxygen		5.69		5.69
Taxes and Insurance		1.46		1.46
Legal Fees		<u>.15</u>		<u>.15</u>
TOTAL		<u>\$166.36</u>		115.15
Inflation Factor (3.70%)				4.26
Cost of Capital				25.69
Cost of Capital Limitation				(8.37)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$136.73</u>

KINGSTON NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-KNC-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,824,143	\$ -	\$133,007 (1)	\$2,691,136
Dietary	722,815	-	76,742 (1)	646,073
Laundry	91,333	-	28,283 (1)	63,050
Housekeeping	189,685	3,910 (1)	-	193,595
Maintenance	343,408	-	90,332 (1)	253,076
Administration & Medical Records	551,614	199,769 (1)	-	751,383
Utilities	89,522	92,063 (1)	-	181,585
Special Services	122,928	1,588 (1)	-	124,516
Medical Supplies & Oxygen	72,442	102,961 (1)	-	175,403
Taxes and Insurance	7,040	37,922 (1)	-	44,962
Legal Fees	-	4,533 (1)	-	4,533
Cost of Capital	423,504	256,153 (1) <u>112,609 (2)</u>	-	792,266
Subtotal	5,438,434	811,508	328,364	5,921,578

KINGSTON NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2003
AC# 3-KNC-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	349,042	-	349,042 (1)	-
Nonallowable	913,614	-	725,499 (1) <u>112,609 (2)</u>	75,506
Total Operating Expenses	<u>\$6,701,090</u>	<u>\$811,508</u>	<u>\$1,515,514</u>	<u>\$5,997,084</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>
Total Beds	<u>88</u>			

KINGSTON NURSING CENTER

Adjustment Report

Cost Report Period Ended September 30, 2001

AC# 3-KNC-J1

ADJUSTMENT			
<u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Housekeeping	\$ 3,910	
	Administration & Medical Records	199,769	
	Utilities	92,063	
	Special Services	1,588	
	Medical Supplies	102,961	
	Taxes and Insurance	37,922	
	Legal	4,533	
	Cost of Capital	256,153	
	Other Equity	704,006	
	General Services		\$ 133,007
	Dietary		76,742
	Laundry		28,283
	Maintenance		90,332
	Ancillary		349,042
	Nonallowable		725,499
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	112,609	
	Nonallowable		112,609
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$1,515,514	\$1,515,514

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

KINGSTON NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2001
AC# 3-KNC-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.4607</u>	<u>2.4607</u>	
Deemed Asset Value (Per Bed)	38,431	38,431	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	1,690,964	1,690,964	
Improvements Since 1981	554,115	253,324	
Accumulated Depreciation at 9/30/01	<u>(1,253,467)</u>	<u>(550,136)</u>	
Deemed Depreciated Value	991,612	1,394,152	
Market Rate of Return	<u>.0577</u>	<u>.0577</u>	
Total Annual Return	57,216	80,443	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	57,216	80,443	
Depreciation Expense	449,758	272,122	
Amortization Expense	-	-	
Capital Related Income Offsets	(67,273)	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	439,701	352,565	\$792,266
Total Patient Days (Minimum 96% Occupancy)	<u>15,418</u>	<u>15,417</u>	<u>30,835</u>
Cost of Capital Per Diem	\$ <u>28.52</u>	\$ <u>22.87</u>	\$ <u>25.69</u>

KINGSTON NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2001
AC# 3-KNC-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>11.78</u>	\$ <u>22.87</u>
Weighted Reimbursable Cost of Capital Per Diem*	\$17.32	
Cost of Capital Per Diem	<u>25.69</u>	
Cost of Capital Per Diem Limitation	\$ <u>(8.37)</u>	
*-[(11.78 x 15,418)+ 352,565]/30,835		

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